

The Tobacco Products Tax is imposed upon the last distributor who sells tobacco products to a retailer or consumer in Illinois at the rate of 18% of the wholesale price of tobacco products sold or otherwise disposed of in this State.

March 25, 1999

Dear Xxxxx:

This letter is in response to your letter dated February 24, 1999. The nature of your letter and the information you have provided requires that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 86 Ill. Adm. Code 1200.120 (b) and (c), enclosed.

In your letter you have stated and made inquiry as follows:

I am writing to find out why COMPANY is exempt from charging the SYSTEM 18% Tobacco Tax, when my company has to charge the tax. Does COMPANY have a Tobacco Product Distributor License? It was my understanding the Distributor was liable for the tax.

Could you please explain this issue to us.

The Tobacco Products Tax is imposed upon the last distributor who sells tobacco products to a retailer or consumer in Illinois at the rate of 18% of the wholesale price of tobacco products sold or otherwise disposed of in this State. As the Department's regulations at 86 Ill. Adm. Code 660.30 explain, however, there are exemptions from the tax. As subsection (e) of this regulation states, the tax does not apply to

sales of tobacco products to penal institutions for use in a Correctional Industries program that makes, manufacturers, or fabricates tobacco products for sale to residents incarcerated in penal institutions or residents of a State operated mental health facility. However, sales of tobacco products to a penal institution that will sell tobacco products through its commissary are taxable.

We do not know what type of sales you are making to penal institutions. However, we hope that this regulation is helpful.

If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217)782-3336. In addition, you may access information through our web cite at <http://www.revenue.state.il.us>.

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If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed.

Very truly yours,

Jerilynn D. Gorden
Senior Counsel, Sales and Excise Tax

Enc.